

SANTA ROSA COUNTY, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2001

SANTA ROSA COUNTY, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2001

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of County Commissioners
Honorable Mary M. Johnson, Clerk and Accountant to the
Board of County Commissioners
Santa Rosa County, Florida

We have audited the accompanying general purpose financial statements of Santa Rosa County, Florida, as of and for the year ended September 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The valuations for general fixed assets were not properly documented. Santa Rosa County, Florida has not established records showing the actual or estimated historical cost of these assets. It was not feasible to apply alternative auditing procedures to determine the fairness of values reported.

In our opinion, except for the effects of adjustments, if any, that might have been disclosed had the valuations for general fixed assets been documented as described in the third paragraph of this report, the general purpose financial statements referred to above, present fairly, in all material respects, the financial position of Santa Rosa County, Florida, as of September 30, 2001, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.



In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2002 on our consideration of Santa Rosa County, Florida's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

O'Sullivan Greel, LLP

January 25, 2002

Santa Rosa County, Florida

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS**

September 30, 2001

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum only)
ASSETS AND OTHER DEBITS	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	
Cash and cash equivalents	\$ 3,519,417	\$ 2,452,522	\$ 38,448	\$ 54,776	\$ 574,160	\$ 70,198	\$ 3,836,937	\$ --	\$ --	\$ 10,546,458
Investments	6,882,429	23,515,817	52	5,815,775	7,361,351	2,567,465	--	--	--	46,142,889
Restricted assets										
Investments	--	--	--	--	1,580,500	--	--	--	--	1,580,500
Receivables, net of uncollectibles										
Accounts	250,804	336,033	--	78,128	383,643	--	58,677	--	--	1,107,285
Interest	--	--	--	--	33,200	--	--	--	--	33,200
Leases - current	--	--	--	--	11,250	--	--	--	--	11,250
Notes - long term	--	--	--	--	1,524,411	--	--	--	--	1,524,411
Leases - long-term	--	--	--	--	66,592	--	--	--	--	66,592
Due from other governments	1,639,787	1,097,358	--	356,443	287,396	3,887	976	--	--	3,385,847
Due from other funds	1,159,165	2,555,985	--	--	--	--	--	--	--	3,715,150
Inventory	24,574	373,203	--	--	--	--	--	--	--	397,777
Deferred charges	--	--	--	--	133,918	--	--	--	--	133,918
Fixed assets, net of accumulated depreciation	--	--	--	--	9,947,268	--	--	89,763,321	--	99,710,589
Amount to be provided for compensated absences	--	--	--	--	--	--	--	--	5,860,729	5,860,729
Amount to be provided for capital leases	--	--	--	--	--	--	--	--	25,554	25,554
Amount to be provided for retirement of general long-term obligations	--	--	--	--	--	--	--	--	7,943,653	7,943,653
Total assets	<u>\$ 13,476,176</u>	<u>\$ 30,330,918</u>	<u>\$ 38,500</u>	<u>\$ 6,305,122</u>	<u>\$ 21,903,689</u>	<u>\$ 2,641,550</u>	<u>\$ 3,896,590</u>	<u>\$ 89,763,321</u>	<u>\$ 13,829,936</u>	<u>\$ 182,185,802</u>

Continued...

The accompanying notes are an integral part of these financial statements.

Santa Rosa County, Florida

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS - CONTINUED**

September 30, 2001

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum only)
LIABILITIES AND OTHER CREDITS	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	
Accounts payable	\$ 1,024,444	\$ 602,913	\$ --	\$ 349,381	\$ 172,806	\$ 96,420	\$ 95,556	\$ --	\$ --	\$ 2,341,520
Claims payable	--	--	--	--	--	2,120,607	--	--	--	2,120,607
Accrued compensation	734,803	169,259	--	--	35,621	2,900	--	--	--	942,583
Payable from restricted assets										
Revenue bonds - current	--	--	--	--	667,500	--	--	--	--	667,500
Accrued interest	--	--	--	--	36,159	--	--	--	--	36,159
Deposits	102,026	--	--	--	31,084	--	1,190,715	--	--	1,323,825
Current portion of landfill closure costs	--	--	--	--	168,816	--	--	--	--	168,816
Deferred revenue	67,500	94,499	--	--	66,592	--	--	--	--	228,591
Due to other funds	2,555,985	499,560	38,500	74,500	--	--	546,605	--	--	3,715,150
Due to other governments	(22,875)	10	--	--	21,061	--	1,208,987	--	--	1,207,183
Miscellaneous	--	--	--	--	--	--	3,041	--	--	3,041
Compensated absences	--	--	--	--	274,948	--	--	--	5,860,729	6,135,677
Notes payable	--	--	--	--	--	--	--	--	3,735,171	3,735,171
Capital lease obligations	--	--	--	--	--	--	--	--	25,554	25,554
Landfill closure costs	--	--	--	--	6,318,538	--	--	--	805,982	7,124,520
Revenue bonds payable	--	--	--	--	3,983,639	--	--	--	3,402,500	7,386,139
Total liabilities	<u>4,461,883</u>	<u>1,366,241</u>	<u>38,500</u>	<u>423,881</u>	<u>11,776,764</u>	<u>2,219,927</u>	<u>3,044,904</u>	<u>--</u>	<u>13,829,936</u>	<u>37,162,036</u>
FUND EQUITY										
Contributed capital		--	--	--	9,478,096	--	--	--	--	9,478,096
Investment in general fixed assets	--	--	--	--	--	--	--	89,763,321	--	89,763,321
Retained earnings (accumulated deficit)										
Reserved		--	--	--	31,615	--	--	--	--	31,615
Unreserved		--	--	--	617,214	421,623	--	--	--	1,038,837
Fund balances										
Reserved	1,110,019	6,756,122	--	2,398,856	--	--	--	--	--	10,264,997
Unreserved	7,904,274	22,208,555	--	3,482,385	--	--	851,686	--	--	34,446,900
Total retained earnings/ fund balances	<u>9,014,293</u>	<u>28,964,677</u>	<u>--</u>	<u>5,881,241</u>	<u>648,829</u>	<u>421,623</u>	<u>851,686</u>	<u>--</u>	<u>--</u>	<u>45,782,349</u>
Total fund equity	<u>9,014,293</u>	<u>28,964,677</u>	<u>--</u>	<u>5,881,241</u>	<u>10,126,925</u>	<u>421,623</u>	<u>851,686</u>	<u>89,763,321</u>	<u>--</u>	<u>145,023,766</u>
Total liabilities and fund equity	<u>\$ 13,476,176</u>	<u>\$ 30,330,918</u>	<u>\$ 38,500</u>	<u>\$ 6,305,122</u>	<u>\$ 21,903,689</u>	<u>\$ 2,641,550</u>	<u>\$ 3,896,590</u>	<u>\$ 89,763,321</u>	<u>\$ 13,829,936</u>	<u>\$ 182,185,802</u>

The accompanying notes are an integral part of these financial statements.

Santa Rosa County, Florida

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS**

Year ended September 30, 2001

	Governmental Fund Types				Fiduciary Fund Type	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum only)
Revenues						
Taxes	\$ 9,590,211	\$ 25,667,889	\$ --	\$ --	\$ --	\$ 35,258,100
Licenses and permits	1,445,043	--	--	--	--	1,445,043
Intergovernmental	10,099,433	4,373,234	--	200,000	--	14,672,667
Charges for services	2,270,538	2,296,980	--	--	--	4,567,518
Fines and forfeits	174,500	1,411,142	--	--	--	1,585,642
Miscellaneous	949,705	3,548,157	27,457	423,857	398,950	5,348,126
Total revenues	24,529,430	37,297,402	27,457	623,857	398,950	62,877,096
Expenditures						
Current						
General government	15,362,968	2,051,140	--	--	--	17,414,108
Public safety	19,024,263	2,340,893	--	--	256,390	21,621,546
Physical environment	679,048	73,106	--	--	--	752,154
Transportation	--	9,196,676	--	--	--	9,196,676
Economic environment	115,918	1,615,224	--	--	--	1,731,142
Human services	3,645,365	47,870	--	--	--	3,693,235
Culture and recreation	1,300,743	--	--	--	--	1,300,743
Capital outlay	--	--	--	4,581,487	--	4,581,487
Debt service	64,472	5,750	1,783,646	--	--	1,853,868
Total expenditures	40,192,777	15,330,659	1,783,646	4,581,487	256,390	62,144,959
Excess (deficiency) of revenues over expenditures	(15,663,347)	21,966,743	(1,756,189)	(3,957,630)	142,560	732,137
Other financing sources (uses)						
Operating transfers in	20,014,047	2,606,518	1,909,649	2,228,676	--	26,758,890
Operating transfers out	(4,574,896)	(21,701,040)	(299,383)	(153,972)	--	(26,729,291)
Other uses	(3,357,843)	--	--	--	--	(3,357,843)
Other sources	3,273,346	719,773	--	552,027	--	4,545,146
Total other financing sources (uses)	15,354,654	(18,374,749)	1,610,266	2,626,731	--	1,216,902
Excess (deficiency) of revenues and other sources over expenditures and other uses	(308,693)	3,591,994	(145,923)	(1,330,899)	142,560	1,949,039
Fund balances, beginning of year	9,337,273	25,371,348	145,923	7,212,140	709,126	42,775,810
Change in reserve for inventory	(14,287)	1,335	--	--	--	(12,952)
Fund balances, end of year	\$ 9,014,293	\$ 28,964,677	\$ --	\$ 5,881,241	\$ 851,686	\$ 44,711,897

The accompanying notes are an integral part of these financial statements.

Santa Rosa County, Florida

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUND TYPES**

Year ended September 30, 2001

	General Fund			Special Revenue Funds			Debt Service Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues									
Taxes	\$ 9,235,300	\$ 9,590,211	\$ 354,911	\$ 24,592,400	\$ 25,667,889	\$ 1,075,489	\$ --	\$ --	\$ --
Licenses and permits	1,320,500	1,445,043	124,543	--	--	--	--	--	--
Intergovernmental	8,667,738	10,099,433	1,431,695	3,831,731	3,811,935	(19,796)	--	--	--
Charges for services	2,442,965	2,270,538	(172,427)	991,800	2,264,746	1,272,946	--	--	--
Fines and forfeits	156,750	174,500	17,750	1,482,000	1,411,142	(70,858)	--	--	--
Miscellaneous	534,744	949,705	414,961	3,038,142	3,546,483	508,341	27,457	27,457	--
Total revenues	22,357,997	24,529,430	2,171,433	33,936,073	36,702,195	2,766,122	27,457	27,457	--
Expenditures									
Current									
General government	16,685,283	15,362,968	1,322,315	1,801,221	2,026,346	(225,125)	--	--	--
Public safety	21,800,310	19,024,263	2,776,047	1,677,664	1,498,248	179,416	--	--	--
Physical environment	742,225	679,048	63,177	221,155	73,106	148,049	--	--	--
Transportation	--	--	--	11,141,949	9,196,676	1,945,273	--	--	--
Economic environment	120,305	115,918	4,387	1,691,500	1,615,224	76,276	--	--	--
Human services	3,338,156	3,645,365	(307,209)	130,436	47,870	82,566	--	--	--
Culture and recreation	1,440,210	1,300,743	139,467	--	--	--	--	--	--
Capital outlay	--	--	--	--	--	--	--	--	--
Debt service	64,472	64,472	--	5,375	5,750	(375)	1,783,646	1,783,646	--
Total expenditures	44,190,961	40,192,777	3,998,184	16,669,300	14,463,220	2,206,080	1,783,646	1,783,646	--
Excess (deficiency) of revenues over expenditures	(21,832,964)	(15,663,347)	6,169,617	17,266,773	22,238,975	4,972,202	(1,756,189)	(1,756,189)	--
Other financing sources (uses)									
Operating transfers in	23,797,636	20,014,047	(3,783,589)	2,294,339	2,606,518	312,179	1,909,649	1,909,649	--
Operating transfers out	(6,391,246)	(4,574,896)	1,816,350	(22,019,490)	719,773	22,739,263	(299,383)	(299,383)	--
Other uses	(4,100,530)	(3,357,843)	742,687	(12,078,263)	(21,979,490)	(9,901,227)	--	--	--
Other sources	3,273,346	3,273,346	--	691,973	--	(691,973)	--	--	--
Total other financing sources (uses)	16,579,206	15,354,654	(1,224,552)	(31,111,441)	(18,653,199)	12,458,242	1,610,266	1,610,266	--
Excess (deficiency) of revenues and other sources over expenditures and other uses	(5,253,758)	(308,693)	4,945,065	(13,844,668)	3,585,776	17,430,444	(145,923)	(145,923)	--
Fund balances, beginning of year	5,253,758	9,337,273	4,083,515	14,297,151	25,342,761	11,045,610	145,923	145,923	--
Change in reserve for inventory	--	(14,287)	(14,287)	--	1,335	(1,335)	--	--	--
Fund balances, end of year	\$ --	\$ 9,014,293	\$ 9,014,293	\$ 452,483	\$ 28,929,872	\$ 28,474,719	\$ --	\$ --	\$ --

Continued...

The accompanying notes are an integral part of these financial statements.

Santa Rosa County, Florida

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CONTINUED
ALL GOVERNMENTAL FUND TYPES**

Year ended September 30, 2001

	Capital Projects Fund			Totals (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes	\$ --	\$ --	\$ --	33,827,700	\$ 35,258,100	\$ 1,430,400
Licenses and permits	--	--	--	1,320,500	1,445,043	124,543
Intergovernmental	300,000	200,000	(100,000)	12,799,469	14,111,368	1,311,899
Charges for services	--	--	--	3,434,765	4,535,284	1,100,519
Fines and forfeits	--	--	--	1,638,750	1,585,642	(53,108)
Miscellaneous	327,500	423,857	96,357	3,927,843	4,947,502	1,019,659
Total revenues	627,500	623,857	(3,643)	56,949,027	61,882,939	4,933,912
Expenditures						
Current						
General government	--	--	--	18,486,504	17,389,314	1,097,190
Public safety	--	--	--	23,477,974	20,522,511	2,955,463
Physical environment	--	--	--	963,380	752,154	211,226
Transportation	--	--	--	11,141,949	9,196,676	1,945,273
Economic environment	--	--	--	1,811,805	1,731,142	80,663
Human services	--	--	--	3,468,592	3,693,235	(224,643)
Culture and recreation	--	--	--	1,440,210	1,300,743	139,467
Capital outlay	6,986,185	4,581,487	2,404,698	6,986,185	4,581,487	2,404,698
Debt service	--	--	--	1,853,493	1,853,868	(375)
Total expenditures	6,986,185	4,581,487	2,404,698	69,630,092	61,021,130	8,608,962
Excess (deficiency) of revenues over expenditures	(6,358,685)	(3,957,630)	2,401,055	(12,681,065)	861,809	13,542,874
Other financing sources (uses)						
Operating transfers in	2,228,676	2,228,676	--	30,230,300	26,758,890	(3,471,410)
Operating transfers out	(153,972)	(153,972)	--	(28,864,091)	(4,308,478)	24,555,613
Other uses	(2,254,629)	--	2,254,629	(18,433,422)	(25,337,333)	(6,903,911)
Other Sources	551,027	552,027	1,000	4,516,346	3,825,373	(690,973)
Total other financing sources (uses)	371,102	2,626,731	2,255,629	(12,550,867)	938,452	13,489,319
Excess (deficiency) of revenues and other sources over expenditures and other uses	(5,987,583)	(1,330,899)	4,656,684	(25,231,932)	1,800,261	27,032,193
Fund balances, beginning of year	5,987,583	7,212,140	1,224,557	25,684,415	42,038,097	16,353,682
Change in reserve for inventory	--	--	--	--	(12,952)	(15,622)
Fund balances, end of year	\$ --	\$ 5,881,241	\$ 5,881,241	\$ 452,483	\$ 43,825,406	\$ 43,370,253

The accompanying notes are an integral part of these financial statements.

Santa Rosa County, Florida

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPES**

Year ended September 30, 2001

	Enterprise Funds	Internal Service Funds
Operating revenues		
Licenses and permits	\$ 1,050	\$ --
Charges for services	3,326,173	161,932
Leases	1,187,883	--
Premiums received	--	1,277,085
Insurance proceeds	--	606,792
Salvage proceeds	--	--
Miscellaneous	169,858	--
Total operating revenues	<u>4,684,964</u>	<u>2,045,809</u>
Operating expenses		
Personal services	975,588	23,407
Contract services	699,004	38,886
Supplies	138,783	2,655
Repairs and maintenance	281,226	30,064
Utilities	155,950	--
Depreciation	892,531	10,742
Travel and per diem	9,262	--
Insurance	19,350	260,596
Communications	23,586	201,006
Advertising	--	--
Fuel and oil	83,437	--
Rentals	13,669	--
Landfill closure and maintenance	(268,285)	--
Claims	--	1,127,395
State assessment	--	71,479
Bad debt	--	--
Miscellaneous	4,533	6,050
Total operating expenses	<u>3,028,634</u>	<u>1,772,280</u>
Operating income (loss)	<u>1,656,330</u>	<u>273,529</u>
Non-operating revenues (expenses)		
Sale of land	237,324	--
Interest income	549,171	95,407
Interest expense	(246,321)	--
Loss on disposal of equipment	--	--
Gain on sale of equipment	--	--
State grants	214,167	--
Writeoff of previously capitalized professional fees	--	--
Waste recycling operations	--	--
Aid to private organizations	(30,000)	--
Amortization & other bond costs	(46,355)	--
Total non-operating revenues (expenses)	<u>677,986</u>	<u>95,407</u>
Income (loss) before operating transfers	2,334,316	368,936
Operating transfers in (out)	<u>(78,662)</u>	<u>49,063</u>
Net income (loss)	2,255,654	417,999
Retained earnings (accumulated deficit), beginning of year	<u>(1,606,825)</u>	<u>(122,041)</u>
Residual equity transfer out	--	125,665
Retained earnings (accumulated deficit), end of year	<u>\$ 648,829</u>	<u>\$ 421,623</u>

The accompanying notes are an integral part of these financial statements.

Santa Rosa County, Florida

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES**

Year ended September 30, 2001

	<u>Enterprise</u>	<u>Internal Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ 1,656,330	\$ 273,529
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	892,531	10,742
Gain on disposal of assets	76,160	25,063
Change in assets and liabilities		
(Increase) decrease in:		
Accounts receivable	(162,910)	16,007
Leases receivable	(14,452)	--
Due from other governments	--	3,320
(Decrease) increase in:		
Accounts payable	(14,918)	41,623
Accrued compensation	3,447	(1,608)
Annual and sick leave	10,335	(843)
Landfill closure costs payable	(268,285)	--
Claims payable	--	16,242
Deferred revenue	4,031	--
Deposits	1,195	--
Due to other governments	21,057	--
	<u>2,204,521</u>	<u>384,075</u>
Net cash provided (used) by operating activities	2,204,521	384,075
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfers in (out)	(78,662)	49,063
State grants	214,167	--
Waste recycling operations	--	--
Aid to private organizations	<u>(30,000)</u>	<u>--</u>
Net cash provided by noncapital financing activities	105,505	49,063
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition & construction of capital assets	(780,850)	--
Proceeds from sale of land	250,000	--
Proceeds from note receivable	34,731	--
Interest paid	(260,481)	--
Payments on bonds and leases	<u>(637,474)</u>	<u>--</u>
Net cash used by capital and related financing activities	(1,394,074)	--
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sale (purchase) of investments - State Investment Pool	(1,594,825)	(577,661)
Interest income	<u>549,171</u>	<u>95,407</u>
Net cash provided (used) by investing activities	<u>(1,045,654)</u>	<u>(482,254)</u>
NET INCREASE (DECREASE) IN CASH	(129,702)	(49,116)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>703,862</u>	<u>119,314</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 574,160</u></u>	<u><u>\$ 70,198</u></u>

The accompanying notes are an integral part of these financial statements.

**SANTA ROSA COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001**

GUIDE TO NOTES

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**SANTA ROSA COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001**

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Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2001

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies applied consistently in the preparation of the financial statements follows:

1. Reporting Entity

The Governmental Accounting Standards Board (GASB) in its Statement No. 14, "The Financial Reporting Entity", established standards for defining the financial reporting entity. In developing these standards, the GASB assumed that all governmental organizations are responsible to elected officials at the federal, state, or local level. Financial reporting by a state or local government should report the elected officials' accountability for those organizations. As concluded by the GASB, the financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Santa Rosa County, Florida (the County) is a political subdivision of the State of Florida created pursuant to Article 8, Section 1(e), Constitution of the State of Florida and Chapter 7 of the Florida Statutes. It is governed by a five member Board of County Commissioners (the Board), elected from single-member districts. The Board has no powers other than those expressly vested in it by the State Statute and its governmental powers cannot be delegated. The Board appoints an administrator to administer all policies emanating from its statutory powers and authority. In addition to the Board, there are five elected Constitutional Officers, pursuant to Article 8, Section 1(d), of the Constitution of the State of Florida: Clerk of Courts, Sheriff, Tax Collector, Property Appraiser and Supervisor of Elections.

These combined financial statements include the individual statements of the Board of County Commissioners, Clerk of Courts, Sheriff, Tax Collector, Property Appraiser and Supervisor of Elections.

Dependent Special Districts

Blackwater Soil & Water Conservation District - The activities of the Blackwater Soil & Water Conservation District are included in these financial statements as a department of the Board of County Commissioners within the General Fund.

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2001

NOTE A - SUMMARY OF ACCOUNTING POLICIES -- (Continued)

1. Reporting Entity -- (Continued)

Pace Property Finance Authority - The Pace Property Finance Authority (Authority) was created in 1990 by County Resolution No. 90-12 pursuant to Chapter 617 of the Florida Statutes. In accordance with Florida Statutes Section 189.403, the Authority qualifies as a dependent special district. Additionally, based on the criteria of GASB Statement No. 14, the Authority is a component unit of Santa Rosa County. However, the Authority meets the criteria for inclusion in more than one reporting entity - Pace Water System as well as Santa Rosa County. GASB Statement No. 14 indicates that in these cases, judgment must be exercised by management of the reporting entities as to which reporting entity the organization should be included. The Authority has the same elected governing body as the Pace Water System. Additionally, both the Authority and Pace Water System own portions of a single water/sewer system; thus, their fixed assets are part of an interconnected system. Finally, the Authority's debt was issued solely to finance the Pace water/sewer system improvements. Based on these facts, management has decided to include the Authority in the combined financial statements of Pace Water System rather than as a component unit of Santa Rosa County.

Santa Rosa County Health Facilities Authority - The Santa Rosa County Health Facilities Authority (Authority) was created in 1982 by County Ordinance No. 82-02 pursuant to Section 154, Florida Statutes. In accordance with Florida Statutes Section 189.403, the Authority qualifies as a dependent special district. Additionally, based on the criteria of GASB Statement No. 14 outlined above, the Authority is a component unit of Santa Rosa County. The Board of County Commissioners (Board) appoints the five (5) members of the Authority. Additionally, the Board may abolish the Authority at any time by ordinance or resolution as long as all bonded indebtedness incurred by the Authority has been paid. The Authority exists solely to assist health facilities within Santa Rosa County with the acquisition, construction, financing, and refinancing of projects. The Authority issued approximately \$15.8 million in bonds in 1983, lending the proceeds of the bonds to Gulf Breeze Hospital. These bonds were subsequently defeased in 1988 when the Authority issued approximately \$17.3 million in new bonds. The 1988 bonds were defeased in 1993 when the Authority issued approximately \$18.6 million in new bonds. The debt outstanding is a limited obligation of the Authority and not a general obligation of the Authority or Santa Rosa County. The Authority is not obligated to pay the principal and interest on the bonds except from the revenues of the Authority pursuant to its loan agreement with Gulf Breeze Hospital. The Authority has no financial activity and the bonds issued under the Authority's name are recorded in the books of the hospital.

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2001

NOTE A - SUMMARY OF ACCOUNTING POLICIES -- (Continued)

1. Reporting Entity -- (Continued)

Santa Rosa County Housing Finance Authority - The Santa Rosa County Housing Finance Authority (Authority) was created in 1984 by County Resolution No. 84-18 pursuant to Chapter 78-89, Laws of Florida codified as Chapter 159, Part IV, Section 159.601 through 159.623. In accordance with Florida Statutes Section 189.403, the Authority qualifies as a dependent special district. Additionally, based on the criteria of GASB Statement No. 14, the Authority is a component unit of Santa Rosa County. The Santa Rosa County Board of County Commissioners, through various resolutions and interlocal agreements with the Escambia County Housing Finance Authority (ECHFA), has authorized ECHFA to allow qualified residents of Santa Rosa County to apply for and obtain preferential mortgages from proceeds generated by bonds issued by ECHFA. Accordingly, there is no financial activity related to the Santa Rosa County Housing Finance Authority to be reflected in these financial statements.

2. Fund Accounting

The accounts of Santa Rosa County, Florida are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The fund types and account groups used by Santa Rosa County, Florida are as follows:

Governmental Funds

These funds utilize a modified accrual basis of accounting. The measurement focus is based upon determination of financial position and changes in financial position (sources, uses and balances of financial resources rather than upon net income determination). The governmental funds utilized are:

General Fund is used to account for all financial resources not required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2001

NOTE A - SUMMARY OF ACCOUNTING POLICIES -- (Continued)

2. Fund Accounting -- (Continued)

Debt Service Fund accounts for the accumulation of resources for, and the payment of, principal, interest and related costs of general long-term debt.

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Proprietary Funds

The two types of proprietary funds are enterprise funds and internal service funds.

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Funds are used to account for the financing of goods and services provided by one department to other departments or agencies of the County or to other governmental units on a cost-reimbursement basis.

Fiduciary Funds

The two types of fiduciary funds are trust and agency funds.

Agency Funds are used to account for assets held by the County or as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Expendable Trust Fund accounts for assets where the principal and interest may be spent, and utilizes the same measurement focus and basis of accounting as governmental fund types.

Account Groups

Account groups are used to establish accountability for the County's general fixed assets and long-term debt. These self-balancing account groups are not funds and do not reflect available financial resources and related liabilities.

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2001

NOTE A - SUMMARY OF ACCOUNTING POLICIES -- (Continued)

2. Fund Accounting -- (Continued)

General Fixed Assets Account Group - accounts for all fixed assets of the County, except those accounted for in the proprietary funds.

General Long-Term Debt Account Group - accounts for all long-term obligations of the County, except those accounted for in the proprietary funds.

3. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total assets. Pursuant to the election option made available by GASB Statement No. 20, pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, are not applied in the preparation of the financial statements of the proprietary fund types.

4. Basis of Accounting

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term obligations are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2001

NOTE A - SUMMARY OF ACCOUNTING POLICIES -- (Continued)

4. Basis of Accounting -- (Continued)

The revenues susceptible to accrual are charges for services, licenses, interest revenue, and excess fees of constitutional officers. Sales taxes and other taxes collected and held by an intermediary at year-end on behalf of the County are also recognized as revenue.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The County reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the County before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In the subsequent period when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

5. Budgets and Budgetary Accounting

Florida Statutes Chapters 129 and 200 govern the preparation, adoption, and administration of the County's annual budget. The budget must be balanced, i.e., the estimated revenues plus beginning fund balance brought forward must equal appropriations and be prepared on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The County may, at any time within a fiscal year, amend a budget for that year as follows:

Appropriations for expenditures in any fund may be decreased and other appropriations in the same fund correspondingly increased by motion recorded in the minutes, provided that the total of the appropriations of the fund not be changed. The County may establish procedures by which the budget officer may authorize certain interdepartmental budget amendments, provided that the total appropriation of the department is not changed. All annual appropriations lapse at fiscal year-end.

All governmental fund types, except the Clerk of Courts' and Sheriff's special revenue funds, have an adopted budget.

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2001

NOTE A - SUMMARY OF ACCOUNTING POLICIES -- (Continued)

6. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. Appropriations lapse at the end of the year and any outstanding encumbrances are canceled and reissued in the subsequent year.

7. Cash and Cash Equivalents

For purposes of the statements of cash flows, all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

8. Investments

Investments in bank certificates of deposit, U.S. Treasury bills, government backed securities and the Florida Local Government Investment Trust Fund are recorded at fair value. Investments in the Local Government Surplus Funds Trust Fund are recorded at the County's equity position in the fund's share price.

9. Inventory

Inventory consists of gas, oil, automotive parts, road signs, culverts, and various other items. Inventory is valued at cost (first in, first out). The cost is recorded as an expenditure at the time the inventory is purchased.

Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

10. Accounting for Fixed Assets

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group. No depreciation is provided for general fixed assets.

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2001

NOTE A - SUMMARY OF ACCOUNTING POLICIES -- (Continued)

10. Accounting for Fixed Assets -- (Continued)

Depreciation of all exhaustible fixed assets used by the proprietary funds is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	20 - 50 years
Water Distribution	20 years
Improvements	10 - 20 years
Equipment	3 - 10 years

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Infrastructure (roads, bridges, curbs, etc.) is not recorded because such items are of value only to the County.

The County does not capitalize interest expense on borrowings used to finance construction of general fixed assets or fixed assets of proprietary fund types, as the capitalizable interest, after netting of interest earnings, is normally insignificant.

11. Compensated Absences

In governmental fund types, the County accrues the current portion of the liability for accumulated unpaid sick leave, annual leave or compensatory time that will be paid within the next fiscal year in the appropriate governmental funds. Amounts due in subsequent years are included in the General Long-Term Debt account group. Proprietary fund types accrue benefits in the period they are earned.

12. Property Taxes

Real and personal property valuations are determined each year as of January 1 by the Property Appraiser's office. Florida Statutes require that all property be assessed at 100% of just value.

All property taxes become due and payable on November 1 and are delinquent on April 1 of the following year. Discounts of 4%, 3%, 2% and 1% are allowed for early payment in November

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2001

NOTE A - SUMMARY OF ACCOUNTING POLICIES -- (Continued)

12. Property Taxes -- (Continued)

through February, respectively. The Tax Collector advertises as required by statute and sells tax certificates for unpaid taxes on real property. Certificates not sold are considered "County Held Certificates." Persons owning land upon which a tax certificate has been sold may redeem the land by paying the face amount of the tax certificate, plus interest and other costs.

13. Landfill Closure Costs

Under the terms of current state and federal regulations the County is required to place a final cover on closed landfill areas and to perform certain monitoring and maintenance functions for a period of up to thirty years after closure. The County recognizes these costs of closure and post-closure maintenance over the active life of each landfill area, based on landfill capacity used during the period.

14. Allowance for Uncollectible Amounts

Historically, differences between receivables and amounts collected have been insignificant. Accordingly, no provision has been made for uncollectible amounts.

15. Total Columns on Combined Statements

Total columns are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with accounting principles generally accepted in the United States of America.

16. New Accounting Pronouncement

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*. This statement is effective for the County for the year ending September 30, 2003. Statement No. 34 will affect the presentation of the County's annual financial report. The Statement also requires the County to utilize the economic resources measurement focus as well as the accrual basis of accounting. In June 2001, the GASB also issued Statements No. 37 and 38 which are effective in 2003. The County has not yet determined the effects these new statements will have on its financial statements.

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2001

NOTE B - CASH AND INVESTMENTS

At September 30, 2001, the bank held deposits of \$8,993,339 (before outstanding checks and deposits in transit) consisting of amounts held in checking, savings, money market or time deposit accounts. All deposits with financial institutions were 100% insured by federal depository insurance or by collateral pursuant to the Public Depository Security Act of the State of Florida.

The County's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The County follows the investment guidelines outlined in Florida Statutes Section 218.415. The Board has adopted an investment policy which outlines the Board's investment responsibilities, objectives, and policies and authorizes the Board to invest in the following:

- a. Local Government Surplus Funds Trust Fund (SBA) (State Pool);
- b. Florida Local Government Investment Trust (FLGIT) (State Investment Trust);
- c. Qualified money market mutual funds;
- d. U.S. Treasury bills, notes and bonds;
- e. Obligations guaranteed by the U.S. Government as to principal and interest such as obligations of the Government National Mortgage Association (GNMA);
- f. Non-callable Government Agency securities:
 - (i) Federal Farm Credit Bank (FFCB),
 - (ii) Federal Home Loan Mortgage Corporation (FHLMC),
 - (iii) Federal Home Loan Bank (FHLB),
 - (iv) Federal National Mortgage Association (FNMA).

This classification of government agency securities does not include any mortgage debt of any government agency;

- g. Time deposits and savings accounts in banks or savings and loan associations doing business in Florida;
- h. Tax-exempt obligations of the State of Florida and its various local governments;
- i. Repurchase agreements for investments authorized in categories d, e, or f above.

At year-end, overnight repurchase agreements (classified as cash equivalents) were held in the amount of \$3,375,000 and were 102% collateralized by government agency securities. Cost approximated market value.

Investments at September 30, 2001, are required to be categorized in accordance with GASB Statement No. 3 to indicate the level of credit risk assumed by the County. The County had no

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2001

NOTE B - CASH AND INVESTMENTS -- (Continued)

investments at year-end that should be categorized. Investments in the Local Government Surplus Funds Trust Fund and the Florida Local Government Investment Trust are not categorized since the investments are not evidenced by securities that exist in physical or book entry form.

The Local Government Surplus Funds Trust Fund is similar to a mutual fund in that funds are available on a same day basis. As of September 30, 2001, the Local Government Surplus Funds Trust Fund had total investments of approximately \$18.2 billion. The portfolio's average maturity was 15 days. The County allocates interest earned on investments held in the Local Government Surplus Funds Trust Fund based on individual funds' principal balances. The Local Government Surplus Funds Trust Fund is a "2a-7" like pool and is subject to regulatory oversight as specified in Chapter 19-7 of the Florida Administrative Code.

The Florida Local Government Investment Trust is similar to a mutual fund in that funds are available on a same day basis. As of September 30, 2001, the Florida Local Government Investment Trust had total investments of approximately \$351 million. The portfolio's average maturity was 2.32 years. The County allocates interest earned on investments held in the Local Government Surplus Funds Trust Fund based on individual funds' principal balances.

Schedule of Cash and Investments at September 30, 2001

	<u>Carrying Amount</u>
<u>Non-Categorized Investments</u>	
Florida Local Government Investment Trust Fund	\$ 10,735,835
Local Government Surplus Funds Trust Fund	<u>36,987,554</u>
Total Investments	47,723,389
<u>Cash</u>	
Cash in Bank	10,545,334
Petty Cash	<u>1,124</u>
Total Cash	<u>10,546,458</u>
Total Cash and Investments	<u>\$ 58,269,847</u>
<u>Combined Balance Sheet Detail</u>	
Cash and Cash Equivalents	\$ 10,546,458
Investments	46,142,889
Restricted Assets: Investments	<u>1,580,500</u>
Total Cash and Investments	<u>\$ 58,269,847</u>

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2001

NOTE B - CASH AND INVESTMENTS -- (Continued)

Restricted cash and investments consist of funds set aside for the payment of debt and funds set aside to ensure assets producing the pledged revenues are repaired and replaced as needed. These assets are restricted since their use is limited by the applicable bond indentures. Other restricted assets consist of funds restricted to the payment of future landfill closure costs.

Restricted cash and investments by category and by fund are as follows:

	Enterprise Funds		
	Navarre Beach Fund	Landfill Fund	Total Enterprise
Sinking fund	\$ 94,583	\$ 28,976	\$ 123,559
Bond reserve account	276,608	--	276,608
Debt service	187,496	--	187,496
Landfill escrow	--	958,166	958,166
Renewal and replacement	34,671	--	34,671
	<u>\$ 593,358</u>	<u>\$ 987,142</u>	<u>\$ 1,580,500</u>

NOTE C - NONCASH INVESTING, FINANCING AND CAPITAL ACTIVITIES

See Note S for information regarding the advance refunding of long-term debt. There were no other noncash investing, financing and capital activities during the year ended September 30, 2001.

NOTE D - DUE FROM OTHER GOVERNMENTAL UNITS

At September 30, 2001, amounts due from other governmental units were as follows:

Federal Government - Charges for services	\$ 206,021
Federal Government - Grants	253,266
State of Florida - Taxes	793,577
State of Florida - Grants	1,766,529
City of Pensacola	67,334
Worker's Compensation	3,888
Other	<u>295,232</u>
Total	<u>\$ 3,385,847</u>

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2001

NOTE E - FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land	\$ 7,034,805	\$ 408,235	\$ (376,067)	\$ 7,066,973
Buildings	51,006,636	2,754,718	--	53,761,354
Improvements other than buildings	4,884,280	726,107	--	5,610,387
Furniture, fixtures and equipment	20,315,351	3,497,988	501,219	23,312,120
Construction in progress	--	173,942	(161,455)	12,487
Total	<u>\$83,241,072</u>	<u>\$ 7,560,990</u>	<u>\$ (1,038,741)</u>	<u>\$ 89,763,321</u>

At September 30, 2001, proprietary fund type property, plant, equipment, and other amortizable long-term assets consisted of the following:

	<u>Enterprise Funds</u>	<u>Internal Service Fund</u>
Land	\$ 1,474,644	\$ --
Buildings	1,366,471	--
Improvements other than buildings	13,372,355	--
Furniture, fixtures and equipment	2,848,565	--
Construction in progress	65,980	--
	19,128,015	--
Less accumulated depreciation	(9,180,747)	--
Total	<u>\$ 9,947,268</u>	<u>\$ --</u>
Depreciation expense	<u>\$ 892,531</u>	<u>\$ 10,742</u>

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2001

NOTE F - LONG-TERM DEBT

1. Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year.

	Balance October 1, 2000	Additions	Reductions	Balance September 30, 2001
General long-term debt				
Compensated absences	\$ 5,299,316	\$ 596,878	\$ 35,465	\$ 5,860,729
Revenue bonds	3,387,500	3,267,500	3,252,500	3,402,500
Notes payable	3,767,614	1,140,000	1,172,443	3,735,171
Special assessment notes	805,540	131,800	131,358	805,982
Capital leases	85,903	--	60,349	25,554
Proprietary debt				
Compensated absences	265,456	10,339	847	274,948
Landfill closure costs	6,755,639	--	268,285	6,487,354
Revenue bonds	5,301,250	3,430,000	3,920,000	4,811,250
Total	<u>\$25,668,218</u>	<u>\$ 8,576,517</u>	<u>\$ 8,841,247</u>	<u>\$25,403,488</u>

Unamortized bond discounts totaling \$13,480 and deferred losses on refunding of bonds totaling \$146,631 are netted against the liability in the proprietary funds. Deferred bond issue costs were \$133,918 at year-end.

The County entered into a lease agreement for financing the acquisition of general EDP equipment and software. The lease qualifies as a capital lease for accounting purposes and a liability has been recorded for the present value of the future minimum lease payments. The acquired assets were recorded in the general fixed assets account group of the County. The future minimum lease payments and the net present value of these minimum lease payments as of September 30, 2001 were as follows:

Year ending <u>September 30,</u> 2002	\$ 25,634
Less amount representing interest	<u>(80)</u>
Present value of minimum lease payments	<u>\$ 25,554</u>

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2001

NOTE F - LONG-TERM DEBT -- (Continued)

2. Descriptions of Bonds and Notes

Bonds and notes payable at September 30, 2001, are comprised of the following:

General government - notes payable

\$1,250,000 note payable to City of Gulf Breeze, Florida
Local Government Loan Program - due in 20 annual principal
payments ranging from \$30,000 in 1989 to \$115,000 in 2008 -
interest due semi-annually at fixed rates of 7.1% and
7.75% through 1998 and 7.75% thereafter. \$ 720,000

\$155,000 Third Cent Tourist Development Tax Revenue Tax
Anticipation Note - due in 120 monthly payments of \$1,633 -
interest due monthly at a fixed rate of 4.9%. The note is
secured by Third Cent Tourist Development Tax Revenues. 92,333

\$39,920 note payable to bank with a fixed rate of 6.75% for the
Santa Rosa Clean Community System, Inc. (SRCCS) - due
in annual payments of \$5,000 with final payment due 2006.
The note is secured by a lien on the SRCCS property. Although
this note is between the SRCCS and the bank, the obligation is
recorded in the General Long-term Debt Account Group of
Santa Rosa County as the County committed to funding this
note at \$5,000 per year for fifteen years. 24,986

\$1,414,000 note payable to bank for construction of a
recreation facility in District 5 - due in 33 quarterly payments
of \$50,000 including interest at 3.86%, beginning May 15, 1999.
The note is secured by 8% of franchise fees from the Escambia
River Electric Cooperative and Gulf Power. 918,286

\$1,140,000 note payable to bank for construction of a recreation
facility in District 2 and refinancing of the 1998 note. The note is
due in 28 quarterly payments of \$50,000, including interest at 4.53%
beginning May 15, 2001. The note is secured by 8% of franchise
fees from the Escambia River Electric Cooperative and Gulf Power. 1,069,567

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2001

NOTE F - LONG-TERM DEBT -- (Continued)

2. Descriptions of Bonds and Notes -- (Continued)

\$1,250,000 note payable to bank for construction of a recreation facility in District 4 - due in 30 quarterly payments ranging from \$34,600 - \$49,600 plus interest at 4.93%, beginning November 15, 2000. The note is secured by 8% of franchise fees from the Escambia River Electric Cooperative and Gulf Power. 909,999

\$382,000 special assessment note payable to bank for capital improvements at Navarre Beach and Woodlore Subdivisions - due in monthly payments of \$3,914 including interest at 5.7% for 60 months, at which time the remaining principal balance shall be due. Annual assessments are made against property owners in amounts sufficient to retire the maturing principal and interest. As of September 30, 2001, substantially all assessments were collected. The County covenants to pay sufficient funds to cure any deficiencies in pledged revenues available for payment of the note. 124,062

\$250,000 special assessment note payable to bank for the construction of certain improvements to the Navarre Beach Fire Station and the purchase of certain fire equipment. Principal is due in 10 annual payments of \$25,000 with interest payable quarterly in arrears at 5.98%. Annual assessments are made against property owners in amounts sufficient to retire the maturing principal and interest. All assessments were collected by year-end. 100,000

\$200,000 special assessment note payable to bank for construction of the Stanford Road water and sewer collection system. The principal is due in 10 annual payments from \$13,560 to \$48,746 beginning March 15, 1997, and interest is payable in arrears in quarterly payments at an annual rate of 5.28%. Annual assessments are made against property owners in amounts sufficient to retire the maturing principal and interest. 124,652

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2001

NOTE F - LONG-TERM DEBT -- (Continued)

2. Descriptions of Bonds and Notes -- (Continued)

\$310,000 special assessment note payable to bank for the construction of the Wes Vic water and sewer collection system. The principal is due in 10 annual payments of \$31,000 beginning February 1, 1998, with interest due quarterly in arrears at 5.5%. Annual assessments are made against property owners sufficient to retire the maturing principal and interest. 186,000

\$92,000 special assessment note payable to bank for road paving improvements in the Central Parkway East MSBU. The principal is due in 9 annual payments beginning October 15, 2000, ranging from \$8,285 to \$12,401 with interest due quarterly in arrears at 5.17%. Annual assessments are made against property owners sufficient to retire the maturing principal and interest. 83,715

\$72,000 special assessment note payable to bank for the construction of the Ski Watch Estates Subdivision MSBU water and sewer collection system. The note is due in 96 monthly payments of \$1,021 including principal and interest at 7.99%. Annual assessments are made against property owners sufficient to retire the maturing principal and interest. 58,322

\$59,000 special assessment note payable to bank for the acquisition and installation of a traffic signal on Highway 98. The note is due in 20 quarterly payments of \$3,378 including principal and interest at 5.23% beginning September 15, 2001. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest. 56,431

\$72,800 special assessment note payable to bank for the construction of a residential sewage system along Del Mar Drive. The note is due in 36 quarterly payments of \$2,600 including principal and interest at 5.71% beginning October 18, 2001. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest. 72,800

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2001

NOTE F - LONG-TERM DEBT -- (Continued)

2. Descriptions of Bonds and Notes -- (Continued)

General government - bonds payable

\$8,625,000 Capital Improvement Revenue Refunding Bonds,
Series 1991 - 6% serial bonds due in 2002. Bonds are allocated
50% to the general long-term debt account group and 50% to the
Landfill Fund. 135,000

\$6,535,000 Capital Improvement Revenue Refunding Bonds,
Series 2001 - 4.5% - 4.875% serial bonds due in 15 annual
installments of \$55,000 to \$610,000 from 2002 through 2016.
Bonds are allocated 50% to the general long-term debt account
group and 50% to the Landfill Fund. 3,267,500

Total general government bonds and notes payable \$ 7,943,653

Proprietary fund type - bonds payable

Enterprise Fund - Landfill

\$6,535,000 Capital Improvement Revenue Refunding Bonds,
Series 2001 - 4.5% - 4.875% serial bonds due in 15 annual
installments of \$55,000 to \$610,000 from 2002 through 2016.
Bonds are allocated 50% to the general long-term debt account
group and 50% to the Landfill Fund. \$ 3,267,500

\$8,625,000 Capital Improvement Revenue Refunding Bonds,
Series 1991 - 6% serial bonds due in 2002. Bonds are allocated
50% to the general long-term debt account group and 50% to the
Landfill Fund. 135,000

Enterprise Fund - Navarre Beach

\$3,050,000 Water and Sewer Refunding Revenue Bonds,
Series 1998 - 4.39% to 4.41% serial bonds due in quarterly
installments of \$126,250 through May 2003, and \$26,250
thereafter through May 2008. 1,408,750

Total proprietary fund type bonds payable \$ 4,811,250

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2001

NOTE F - LONG-TERM DEBT -- (Continued)

3. Debt Service Requirements

The annual requirements to amortize all bonds and notes outstanding at September 30, 2001 including interest payments of \$3,862,564 are as follows:

Year Ending September 30,	Bonds		Notes		Total
	General Government	Proprietary	General Government	Special Assessments	
2002	\$ 316,957	\$ 875,644	\$ 748,139	\$ 190,910	\$ 2,131,650
2003	317,619	754,116	747,594	187,655	2,006,984
2004	317,960	443,277	746,669	184,130	1,692,036
2005	320,490	441,123	745,359	134,170	1,641,142
2006	317,510	433,512	743,668	128,974	1,623,664
2007 and After	<u>3,187,087</u>	<u>3,378,953</u>	<u>828,403</u>	<u>127,548</u>	<u>7,521,991</u>
	<u>\$ 4,777,623</u>	<u>\$ 6,326,625</u>	<u>\$ 4,559,832</u>	<u>\$ 953,387</u>	<u>\$ 16,617,467</u>

4. Defeased Debt Outstanding

In prior years the County defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the County's financial statements. At September 30, 2001, approximately \$9 million of bonds are considered defeased.

NOTE G - LINE OF CREDIT

The Clerk of Courts has available a line of credit with a bank (secured by the Clerk's covenant to budget and appropriate funds) permitting borrowings up to \$250,000. Borrowings under the line bear interest at the lender's prime rate less 3.5% (2.5% at September 30, 2001), payable in monthly installments. At September 30, 2001 there was no outstanding balance. Final maturity is August 15, 2002.

The Tax Collector has available a line of credit with a bank (secured by the Tax Collector's covenant to budget and appropriate funds) permitting borrowings up to \$100,000. Borrowings under the line bear interest at the lender's prime rate less 3.5%, payable in monthly installments. At September 30, 2001 there was no outstanding balance.

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2001

NOTE H - CONDUIT DEBT OBLIGATIONS

From time to time Santa Rosa County has issued Industrial Development Revenue Bonds under the provisions of Chapter 159, Part II, Florida Statutes, to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Neither the County, the State nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Governmental Accounting Standards Board Interpretation No. 2 requires disclosure of the aggregate principal amount of conduit debt outstanding. If the aggregate amount outstanding is not determinable or reasonably estimable the original issue amount should be disclosed. The County has not completed determination of these amounts.

NOTE I - OPERATING LEASES

The County has entered into various operating leases for office equipment and office space. The minimum rental commitments under the above leases are as follows:

Year ending <u>September 30,</u>	
2002	\$ 92,925
2003	53,089
2004	36,538
2005	35,028
2006	<u>26,271</u>
Total minimum payments required	<u>\$ 243,851</u>

Rental expense for the year ended September 30, 2001 amounted to \$209,947.

NOTE J - DEFERRED REVENUE

The County has lease receivables outstanding on undeveloped properties. Amounts totaling \$15,828 were recorded as deferred revenue at year-end. Deferred revenues from advanced billings on Navarre Beach Leases totaled \$50,764. Additionally, \$67,500 relating to a voting system improvement grant was recorded as deferred revenue in the general fund.

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2001

NOTE K - INTERFUND RECEIVABLES AND PAYABLES

Individual fund interfund receivables and payables at September 30, 2001, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	BOCC MSBU	\$ 167,993
General	Sheriff Grant Fund	331,567
General	Capital Project	74,500
General	Debt Service	38,500
General	BOCC Flex Benefits	7,500
General	Clerk Fine and Cost Fund	125,306
General	Tax Collector Tag Fund	413,799
General	BOCC MSBU	<u>2,555,985</u>
		<u>\$ 3,715,150</u>

NOTE L - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require the County to place a final cover on its landfills when the County stops accepting waste and to perform certain maintenance and monitoring functions at sites for thirty years after closure. Although closure and postclosure care costs are paid only near or after the date that a landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$6.5 million reported as landfill closure and postclosure care liability (current and noncurrent) at September 30, 2001, represents the cumulative amount reported to date based on the following percentage usage of the estimated capacity of each of the County's landfills:

Central Class I Landfill	38%
Central Class III Landfill	Closed 10/98
Holley Landfill	Closed 06/94
Northwest Landfill	Closed 02/91

The remaining estimated cost of closure and postclosure care for the Central Class III, Holley and Northwest landfills have been recognized in prior years with any changes in estimates being recorded in the current year. The County will recognize the remaining estimated cost of closure and postclosure care for the Central Class I landfill in the amount of \$4.2 million as its remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2001. The estimated remaining life of the Central Class I Landfill is 21 years. Cost of closure and life estimates are based on the areas currently in

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2001

NOTE L - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS -- (Continued)

use, and not on potential areas of expansion. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. At September 30, 2001, the County held investments of \$1,152,529 to cover the escrow requirement of \$958,166. These investments are reported as restricted assets on the balance sheet. The County expects that future inflation costs will be paid from interest earnings on these restricted investments and from charges to future landfill users or future tax revenue.

NOTE M - COMMITMENTS AND CONTINGENCIES

1. Retirement Plan

Participation - Employees of the County participate in the Florida Retirement System (FRS), a cost-sharing multiple-employer retirement system, established by Chapter 121, Florida Statutes. Participation is compulsory for full-time and part-time employees working in regularly established positions. Elected officials may elect not to participate in the system. Eligible employees may elect to participate in the Deferred Retirement Option Program (DROP), deferring receipt of retirement benefits while continuing employment with a Florida Retirement System employer.

Contributions - Chapter 121 requires the employer to pay all contributions (employee noncontributory) based upon state-wide rates established by the State of Florida. During 2001, the County contributed an average of 8.69% of each qualified regular employee's gross salary, 16.53% of the elected official's salary, 19.83% of each special risk employee's salary, and 12.54% for each DROP participant. The contributions, funded on a pay-as-you-go basis, were equal to the actuarially determined contribution requirements for each year and totaled \$2,724,923, \$3,164,949 and \$3,677,704 for the years ended September 30, 2001, 2000, and 1999, respectively.

Benefit Provisions - The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The FRS provides for vesting of benefits after 10 years of creditable service. Normal retirement benefits are available to employees who retire at or after age 62 with 10 or more years of service, or to those employees who have at least 30 years of creditable service, regardless of age. Early retirement is

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2001

NOTE M - COMMITMENTS AND CONTINGENCIES -- (Continued)

1. Retirement Plan -- (Continued)

available after 10 years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average compensation and years-of-service credit where average compensation is computed as the average of an individual's five highest years of earnings. For DROP participants, the deferred monthly benefit plus interest compounded monthly, accrues for the specified period of the DROP participation. Upon retirement, the participant receives the total accumulated DROP benefits and begins to receive current benefits at the previously determined rate.

Financial Report of the Plan - The FRS issues a stand-alone financial report. A copy can be obtained by contacting the State of Florida, Division of Retirement, Tallahassee, Florida.

2. Litigation

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the County .

3. Federal and State Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by grantors cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2001

NOTE N - RESERVES

The following is a list of reserves used by the County:

General Fund:

Reserve for inventory	\$ 18,677
Reserve for communications	613,481
Reserve for animal services education	27,220
Reserve for debt service	105,910
Reserve for boating improvements	108,069
Reserve for long-term intergovernmental receivable	20,000
Reserve for records modernization trust fund	<u>216,662</u>
	<u>\$ 1,110,019</u>

Special Revenue Fund:

Reserve for inventory	\$ 373,203
Reserve for forfeited property	90,521
Reserve for tourist development	426,831
Reserve for gas and oil preservation	5,830,762
Reserve for law enforcement training	23,047
Reserve for purchase of law books	<u>11,758</u>
	<u>\$ 6,756,122</u>

Capital Project Fund:

Reserve for construction commitments	<u>\$ 2,398,856</u>
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Enterprise Fund:

Reserve for bond indenture	<u>\$ 31,615</u>
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NOTE O - PROPERTY TAXES - REVENUE RECOGNITION

Property taxes levied on property valuations as of January 1, 2001, and expected to be collected during the period November 2001 through March 2002 are as follows:

General Fund	\$ 9,534,260
Road and Bridge Fund	\$ 1,714,000
Fine and Forfeiture Fund	\$ 17,430,330

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2001

NOTE O - PROPERTY TAXES - REVENUE RECOGNITION -- (Continued)

These taxes, although measurable, are not recognized as revenue at September 30, 2001, since they are not considered to be collectible within the current period or soon enough thereafter to be used to pay current period liabilities.

NOTE P - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The County maintains four enterprise funds consisting of water, sewer and lease operations of Navarre Beach, solid waste disposal operations of the Landfill Fund, hanger facilities at Peter Prince Field and the Industrial Park. Segment information for the year ended September 30, 2001, is as follows:

	<u>Navare Beach</u>	<u>Landfill</u>	<u>Peter Prince Landfill</u>	<u>Industrial Park</u>
Operating revenues	\$2,653,591	\$1,862,309	\$ 164,899	\$ 4,165
Depreciation and amortization expense	402,275	365,068	171,543	--
Operating income (loss)	1,127,092	658,091	(83,175)	(74,578)
Interest income	263,477	133,698	9,800	142,196
Interest expense	73,403	172,918	--	--
Intergovernmental revenues - Grants	--	48,567	165,600	--
Operating transfers in	--	--	--	17,615
Operating transfers out	67,377	--	--	--
Net income	1,220,230	640,642	92,225	322,557
Property, plant and equipment:				
Additions	9,921	448,269	322,661	--
Deletions	76,765	104,399	--	12,676
Net working capital	5,452,731	1,809,880	147,992	1,010,909
Total assets	9,314,416	7,010,579	2,543,472	3,035,222
Bonds and other long term liabilities	1,469,736	9,774,889	--	--
Retained earnings (accumulated deficit)	5,292,866	(5,962,166)	18,619	1,299,510
Contributed capital	2,361,764	2,867,648	2,521,866	1,726,818
Total equity (deficit)	7,654,630	(3,094,518)	2,540,485	3,026,328

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2001

NOTE Q - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 1986, the County established a Self-Insurance Fund (an internal service fund) to account for and finance its uninsured risks of loss. Under this program, the County is self-insured with respect to the following exposures:

- Workers Compensation
- Auto Physical Damage
- Auto Liability
- Construction and Road Equipment

The County is covered by outside insurance for the following exposures:

- Portable Communication Equipment
- Boats
- Employee Fidelity
- General Liability, \$100,000 deductible
- Public Officials' Liability, \$100,000 deductible

Conventional insurance remains in effect for buildings, contents and Sheriff's general, automobile and professional liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Board and other County elected officials participate in the program and make payments to the Self-Insurance Fund based on historical estimates by management of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses. The claims liability of \$2,120,607 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2001

NOTE Q - RISK MANAGEMENT -- (Continued)

Liabilities for incurred losses to be settled by fixed or reasonably determined payments over a long period of time are reported at their present value using an expected future investment yield assumption of 5%. These liabilities are reported at their present value of \$370,262 at September 30, 2001. Changes in the Fund's claims liability amount in fiscal years 2000 and 2001 were as follows:

	<u>Beginning-of- Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
1999 - 2000	\$ 2,437,471	\$ 846,852	\$ 1,179,958	\$ 2,104,365
2000 - 2001	\$ 2,104,365	\$ 1,127,395	\$ 1,111,153	\$ 2,120,607

The County is a member of the Florida Association of Counties Trust, a pooled liability program providing general liability coverage and public officials' liability coverage, excluding the Sheriff. The County pays an annual premium as a participant of the pooled liability program. During 1994, the first year of participation, the County paid an extraordinary loss fund payment of \$249,886. The liability coverage is not designed to be assessable; however, should the pool fail to meet its obligations, the County may be required to contribute additional funds or cover its own obligations. No accrual for future assessments has been recorded in the balance sheet as such assessments do not appear probable based on past experience of the pool, and experience of the pool subsequent to the County's fiscal year-end through the date of these financial statements. In the event the County elected to terminate its participation in the pool, the extraordinary loss fund payment would be refunded to the County, given adequate funding of the pool.

NOTE R - COMPLIANCE AND ACCOUNTABILITY

Accumulated Deficits

Landfill Fund - The deficit in this fund results from the cumulative effect of the following:

Adoption of GASB Statement No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs", which requires recognition of costs of closure and postclosure maintenance over the active life of each landfill area, based on landfill capacity used during the period.

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2001

NOTE R - COMPLIANCE AND ACCOUNTABILITY -- (Continued)

Depreciation charged against operations.

Loss on bond refunding of \$443,769 in 1992.

Transfer of working capital to other funds.

Debt covenants require that rates be adjusted periodically to insure sufficient revenues are generated to meet operational and debt service needs.

NOTE S - BUDGET RECONCILIATION

The following schedule reconciles the amounts for the special revenue fund on the Combined Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual to the amount on the Combined Statement of Revenues, Expenditures and Changes in Fund Balance:

	Combined Statement of Revenues, Expenditures and Changes in Fund Balance	Less: Funds not Budgeted	Combined Statement of Revenues, Expenditures and Changes in Fund Balance Budget (GAAP Basis) to Actual
Fund balance at beginning of year	\$ 25,371,348	\$ 737,713	\$ 25,342,761
Excess of revenue over expenditures	3,591,994	148,778	3,585,776
Change in reserve for inventory	<u>1,335</u>	<u>--</u>	<u>1,335</u>
Fund balance at end of year	<u>\$ 28,964,677</u>	<u>\$ 886,491</u>	<u>\$ 28,929,872</u>

NOTE T - POST RETIREMENT HEALTH CARE BENEFITS

In 1994, the County established a Health Insurance Subsidy program for current and future retirees. Eligibility is limited to any person who retires with ten years of creditable service (eight years for elected service) and is qualified under the Florida Retirement System (FRS). The

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2001

NOTE T - POST RETIREMENT HEALTH CARE BENEFITS -- (Continued)

subsidy is calculated by multiplying the total years of FRS creditable service by \$2 with a maximum of thirty years. No one receives less than \$16 per month nor more than \$60 per month. This subsidy is recognized by the County on a pay-as-you-go basis. The County recognized \$41,510 in health insurance subsidies for retirees during the fiscal year ended September 30, 2001. The County cannot feasibly determine the number of persons eligible to receive this benefit. There are currently sixty retirees participating in the program.

NOTE U - BOND REFUNDING

On December 29, 2000, the County issued \$6,535,000 in Capital Improvement Revenue Refunding Bonds, Series 2000 with an average interest rate of 4.4% to finance the cost of refunding a portion of the County's Capital Improvement Refunding Revenue Bonds, Series 1991 with an average interest rate of 5.9%. The portion of the 1991 bonds refunded from proceeds of the 2000 bonds totaled \$6,245,000 and included the 1991 bonds maturing in the years 2003 through 2016. The remaining 1991 Bonds totaling \$530,000 that mature in 2001 and 2002 remain outstanding until their scheduled maturity dates. The net proceeds of \$6,370,013 (after payment of underwriting fees, insurance, and other issuance costs) plus an additional \$167,730 of sinking fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1991 bonds. As a result, \$6,245,000 of the 1991 bonds are considered to be defeased and the liability for those bonds has been removed from the general long-term debt account group and from the enterprise funds liabilities. The original bonds were allocated 50% each to general governmental uses and to enterprise fund use.

In the enterprise fund, the advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$154,458. This difference, reported in the accompanying financial statements as a deduction from the enterprise fund bonds payable, is being charged to operations through the year 2016 using the effective interest method. The County completed the advance refunding to reduce its total debt service payments by approximately \$81,000 and realized a difference between the present values of the old and new debt service payments of approximately \$145,000.

Santa Rosa County, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2001

NOTE V - DISCONTINUED FUND

The Board discontinued use of the Central Communications internal service fund during the year. At the date the fund ceased operations, all residual assets, liabilities and equity were transferred to the general fund.



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Board of County Commissioners
Honorable Mary M. Johnson, Clerk and Accountant to the
Board of County Commissioners
Santa Rosa County, Florida

We have audited the general purpose financial statements of Santa Rosa County, Florida, as of and for the year ended September 30, 2001, and have issued our report thereon dated January 25, 2002, which was qualified for a lack of valuations for general fixed assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Santa Rosa County, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Santa Rosa County, Florida's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur.



and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of County Commissioners, management and appropriate governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

O'Sullivan Greel, LLP

January 25, 2002



MANAGEMENT LETTER

Honorable Board of County Commissioners
Honorable Mary M. Johnson, Clerk and Accountant to the
Board of County Commissioners
Santa Rosa County, Florida

We have audited the general purpose financial statements of the Santa Rosa County, Florida, as of and for the fiscal year ended September 30, 2001, and have issued our report thereon dated January 25, 2002 which was qualified for a lack of valuations for general fixed assets.

We have issued our Independent Auditor's Report On Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed In Accordance With *Government Auditing Standards* dated January 25, 2002. Disclosures in that report, if any, should be considered in conjunction with this management letter.

Except as discussed in the first paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter. Items under Chapter 10.554 (1) (g) 1-5, Rules of the Auditor General, are addressed in the separately issued management letters of the Board of County Commissioners, Sheriff, Clerk, Tax Collector, Property Appraiser, Civil Service Board, and Supervisor of Elections. For the County as a whole, items under the Rules of the Auditor General Chapter 10.554 (1) (g) 6 are addressed as follows:

As required by the Rules of the Auditor General (Section 10.554 (1) (g) 6. a.), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, "Determination of Financial Emergency." In connection with our audit, we determined that Santa Rosa County, Florida is not in a state of financial emergency as a consequence of the conditions described in Section 218.503(1), Florida Statutes.



As required by the Rules of the Auditor General (Section 10.554 (1) (g) 6. b.), we determined that the financial information for Santa Rosa County, Florida included in the financial report filed with the Florida Department of Banking and Finance pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with Santa County, Florida's audited special purpose financial statements.

As required by the Rules of the Auditor General (Section 10.554 (1) (g) 6. c.), the scope of our audit included the use of financial condition assessment procedures pursuant to Rule 10.556 (8), to aid in the detection of deteriorating financial conditions. In connection with our audit, we determined that Santa Rosa County, Florida is not in a state of deteriorating financial condition.

This management letter is intended for the information of the Board of County Commissioners and management, and the State of Florida Office of the Auditor General. However, this report is a matter of public record and its distribution is not limited.

O'Sullivan Greel, LLP

January 25, 2002